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17 **UNITED STATES DISTRICT COURT**
18 **CENTRAL DISTRICT OF CALIFORNIA**
19

20 COLUMBIA PICTURES INDUSTRIES,
21 INC., et al.,

22 Plaintiffs,

23 v.

24 GARY FUNG, et al.,

25 Defendants.
26
27
28

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Case No. CV 06-5578-SVW (JCx)

**DEFENDANTS' SUPPLEMENTAL
BRIEF REGARDING JURY
INSTRUCTIONS (DKT. 675)**

Hearing: October 28, 2013
Time: 1:30 p.m.
Trial Date: November 5, 2013

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I. INTRODUCTION

The Supreme Court has found that in copyright cases, the jury has the power to consider factors that might inform them on what they find fair and just when deciding where on the wide scale—from \$750 through \$150,000 per infringed work—a plaintiff should be awarded statutory damages. Here, assuming the jury awarded the minimum award for all 3,947 works Plaintiffs currently assert, the jury could award as low as \$2,960,250. If the jury awarded the maximum for each work, it would award as high as \$592,050,000. But the jury could award anything in between, and could apply a host of factors in evaluating whether to award different amounts with respect to certain works or types of works or infringements. The jury is allowed to consider relevant factors in exercising its discretion, including any evidence regarding any actual injury (or lack thereof) to Plaintiffs; the degree of egregiousness of Defendants' conduct (which necessarily requires inquiry into how Defendants' system fits within the overall scheme of the Internet and relates to other search engines); and Plaintiffs' failure to mitigate. Plaintiffs would prefer to shield the jury from these factors, and consequently hide from the jury the realities of this case.

As Plaintiffs acknowledge, Defendant Gary Fung, an individual, and his company, Defendant isoHunt, have very limited resources. Nevertheless, Plaintiffs are seeking nearly \$600 million in statutory damages. Plaintiffs have attempted to massively expand the scope of their secondary liability case against Defendants just two months before trial—in a case that was decided on a record largely submitted in 2007. Since naming the new works, Plaintiffs have lodged improper objections and dragged their feet to avoid providing basic discovery that would permit Defendants to meaningfully prepare their defense, issues that are currently before the Magistrate. Plaintiffs would prefer to skip their discovery obligations and jump straight to trial where they plan to seek excessive damages. But due process cannot be skipped, and thus properly specifying the works at issue and permitting basic discovery are necessary steps. Statutory damages should not result in a “windfall,” which is even

1 more of a concern in a case like this where an Internet service provider can be exposed
 2 to secondary liability for—and hundreds of millions of dollars in potential damages
 3 for—potentially thousands of direct infringements that it did not itself commit and
 4 may have had no knowledge of at all. A statutory damages award that is excessively
 5 high compared to actual damages is also unconstitutional under the Due Process
 6 Clause.

7 A 2009 article by leading copyright scholar Pamela Samuelson analyzes
 8 relevant case law and the threat to due process in mass Internet cases, where a
 9 statutory damages award in a copyright case can be divorced from reality.
 10 [Declaration of Erin R. Ranahan (“Ranahan Decl.”), Ex. A (Pamela Samuelson &
 11 Tara Wheatland, *Statutory Damages in Copyright Law: A Remedy in Need of Reform*,
 12 51 Wm. & Mary L. Rev. 439, 491-97 (2009)).] That is a very real concern here. It is
 13 thus especially significant that the jury be permitted to hear relevant evidence relating
 14 to factors that courts have found inform the jury’s broad discretion in determining a
 15 just amount of statutory damages. For the reasons discussed herein, Defendants
 16 respectfully request that the Court provide the jury the proposed instructions set forth
 17 in **Exhibit 1** hereto.

18 **II. STATEMENT OF FACTS**

19 **A. This Case**

20 Defendants’ websites facilitate user searches and access to information—using
 21 a similar type of search engine functionality as Yahoo! or Google—and neither store
 22 nor transmit any copyrighted material in the process of servicing user requests for
 23 search results. Plaintiffs brought this action seeking to hold Defendants liable for
 24 inducing certain alleged direct infringements by Defendants’ users through
 25 Defendants’ system. While this Court found in 2009 that Defendants were liable for
 26 inducing infringement of 44 works, granting Plaintiffs’ motion for summary judgment
 27 filed in (and based on a record from) 2007, no damages for any infringements in this
 28 case have yet been assessed.

B. Despite Affirming Liability Based On Inducement, The Ninth Circuit Makes Clear Causation Must Be Carefully Assessed In Damages Phase

In its decision the Ninth Circuit explained that even though it was adopting a “loose causation” theory for purposes of assessing injunctive relief, it expected the District Court would deal more carefully with issues of causation specifically when assessing damages, stating:

We do not decide the degree to which Fung can be held liable for having caused infringements by users of his sites or trackers... We therefore need not further entertain Fung’s causation arguments at this time, but leave it to the district court to consider them, in light of the observations we have made, when it calculates damages.

Columbia Pictures Indus., v. Fung, 710 F.3d 1020, 1039 (9th Cir. 2013) (“*Fung II*”).

Thus, the Ninth Circuit made clear that “causation . . . cannot be assumed” and that Plaintiffs must plausibly link direct infringements of the works to Defendants’ inducements. *Id.* at 1038-39. As the Ninth Circuit explicitly cautioned, “proving that an entity had an unlawful purpose at a particular time in providing a product or service does not infinitely expand its liability in either temporal direction . . . an individual or entity’s unlawful objective at time B is not a virus that infects all future actions. People, companies and technologies must be allowed to rehabilitate . . . lest the public be deprived of a useful good or service they are still capable of producing.” *Id.* at 1038; *MGM Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937 (2005); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 432 (1984). To date, there has been no analysis of any association between any of the specific induced infringements of this case and any conduct by Defendants found to be inducing.

C. Plaintiffs Seek To Exponentially Expand The Scope Of The Case In The Damages Phase

Despite the fact that infringement of only 44 works was at issue in the liability phase, Plaintiff recently indicated that they would seek statutory damages for

Defendants “inducing” infringement of nearly a hundred times that many—3,947 works. While the prior phase focused on inducement of “Box Office Movies,”¹ Plaintiffs are now largely seeking damages for works that are not movies released in the theaters—but rather are television episodes or other television programming (types of shows that are widely authorized as available online for free). In fact, more than 3,190 of the 3,947 works Plaintiffs now claim are television shows.

D. The Financial Realities Of This Case

As Plaintiffs acknowledge, the truth is that Defendants have limited resources, nothing close to what Plaintiffs are seeking. The Court asked Plaintiffs what the point was of seeking a damages award far beyond what Plaintiffs could ever actually recover:

THE COURT: What do you estimate to be the resources of [Defendants]? . . . What do you suspect?

PLAINTIFF’S COUNSEL: Based on our estimate, Your Honor, we believe a couple to a few million dollars would exhaust Mr. Fung's or defendants' ability to pay...

PLAINTIFF’S COUNSEL: A couple to a few million dollars would exhaust defendants' --

THE COURT: Does that mean, like \$2 million --

PLAINTIFF’S COUNSEL: Two million dollars to \$4 million, \$5 million at the most.

THE COURT: *So why are you making such a fetish about 2,000 or 3,000 or 10,000 or 100 copyrights?*

MR. FABRIZIO: Your Honor, the purpose of statutory damages is not only to seek compensation from the defendants, extraordinarily important

¹ For example, Plaintiffs argued on summary judgment that Defendants “systematically encouraged users to upload infringing dot-torrent files for top Box Office Movies in theatrical release in the United States,” and complained about Defendants’ Box Office Movie Feature. [Plaintiffs’ Reply In Support of MSJ at 5:3-5) (Dkt. 327) (citing SUF 50; Mem. At 18:14-19:2.)]. This Court and the Ninth Circuit both relied on this in their orders.

1 purpose is to create -- send a message to other would-be infringers like
2 defendants, and there are thousands of them...

3 THE COURT: *But if you strip him of all his assets* -- and you're
4 suggesting that a much lesser number of copyrights would accomplish --
5 copyright infringements would accomplish that, *where is the deterrence*
6 *by telling the world that you took someone's resources away because of*
7 *illegal conduct entirely or 50 times over?*

8 [9/9/13 Trans. 7:23-9:11 (emphasis added).]

9 Plaintiffs seek here to obtain a massive \$600 million judgment against an
10 individual Defendant, Gary Fung, and his small company. While Plaintiffs know they
11 could never actually collect anywhere close to \$600 million, they insist on sending a
12 "message." Whatever additional and incremental difference it makes, it is not enough
13 to justify the tremendous waste of the Court's and parties' resources to expand
14 Plaintiff's case exponentially.

15 Conversely, Plaintiffs' revenues have remained undisturbed by Defendants.
16 Plaintiffs have conceded as much, admitting that they have no documents to support
17 actual damages, or any attributable loss caused by Defendants, and so do not intend to
18 produce any such documents. Evidence on Plaintiffs' overall and specific revenues
19 relating to the works at issue will allow the jury to infer that Plaintiffs have not
20 suffered any actual damages, which can be contrasted with the financial condition of
21 Defendants in the jury fashioning an appropriate award. For example, if Plaintiffs
22 enjoyed uninterrupted profits, and their overall revenues (or for any of the works at
23 issue) did not decline during the time that isoHunt was launched and Defendants
24 began complying with the Injunction, the jury could conclude that it would be unjust
25 and a windfall to award Plaintiffs anything more than the near \$3 million statutory
26 minimum. This discovery issue is currently before the Magistrate.

27 **E. The Court Seeks Briefing Regarding What Factors The Jury Can**
28 **And Should Consider When Deciding What Amount Of Statutory**
Damages Are Just

On September 30, 2013, the Court held a hearing on Plaintiffs' motions for summary judgment, which sought a finding of willfulness and to foreclose Defendants from asserting certain affirmative defenses to any of the alleged works at issue, including the more than 3,900 works that were never named in any complaint, but were identified for the first time last month, and for which infringements were not identified until last week. [Dkt. 675.] During the hearing, the Court considered whether bifurcation would be appropriate in light of the fact that the prior litigation only applied to 44 works, and so certain affirmative defenses, including fair use, had not been fully litigated. The Court also raised the issue of whether constitutional due process principles, which require punitive damages awards to be proportional to compensatory damages awards, would similarly apply to statutory damages under the Copyright Act. (*See* 9/30/13 Hearing Trans. 34:7-24.) As addressed below, due process principles apply equally here, and the jury should be permitted to consider relevant factors in determining the amount of damages that are appropriate here.

III. THE JURY IS AFFORDED WIDE DISCRETION IN DECIDING THE AMOUNT OF STATUTORY DAMAGES

17 U.S.C. § 504(c) provides statutory damages for copyright infringement of up to \$150,000.00 per work infringed. In *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998), the Supreme Court held that the Seventh Amendment of the United States Constitution requires a jury trial to determine the amount of statutory damages in a copyright case. *Id.* at 353. As the Supreme Court explained in *Feltner*, "[t]he right to a jury trial includes the right to have a jury determine the *amount* of statutory damages, if any, awarded to the copyright owner." *Id.* This is because it has "long been recognized" that "the jury are judges of the damages." *Id.* As the Supreme Court has also held the calculation should be based on:

the court's conception of what is just in the particular case, considering the nature of the copyright, the circumstances of the infringement and the like, is made the measure of the damages to be paid, but with the express

1 qualification that in every case the assessment must be within the
2 prescribed limitations, that is to say, neither more than the maximum nor
3 less than the minimum. Within these limitations the court's discretion and
4 sense of justice are controlling...

5 *F.W. Woolworth Co. v. Contemporary Arts. Inc.*, 344 U.S. 228, 232 (1952) (quoting *L.*
6 *A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 106 (1919)).

7 The jury “has wide discretion in determining the amount of statutory damages
8 to be awarded, *constrained only by the specified maxima and minima.*” *Harris v.*
9 *Emus Records Corp.*, 734 F.2d 1329, 1335 (9th Cir. 1984) (emphasis added). The
10 trier of fact must be guided by “what is just in the particular case ... considering the
11 nature of the copyright, the circumstances of the infringement and the like.” *F.W.*
12 *Woolworth*, 344 U.S. at 232. This Court has requested that the parties provide
13 briefing to explain what “the like” should mean for the jury to consider in this case.

14 Courts have considered the following factors as relevant to informing their
15 determination of statutory damages: (1) the expenses saved and the profits reaped, (2)
16 the revenues lost by the plaintiff, (3) the value of the copyright, (4) the deterrent effect
17 on others besides the defendant, (5) whether the defendant’s conduct was willful, (6)
18 whether a defendant has cooperated in providing particular records from which to
19 assess the value of the infringing material produced, (7) the potential for discouraging
20 the defendant, and (8) the conduct and attitude of the parties. *Coach, Inc. v. Am.*
21 *Fashion Gift*, CV 12-07647-MWF RZX, 2013 WL 950938, at *2 (C.D. Cal. Mar. 12,
22 2013); *Coach, Inc. v. Diva Shoes & Accessories*, No. 10–5151 SC, 2011 WL
23 1483436, at *6 (N.D. Cal. Apr. 19, 2011); *see also, Bryant v. Media Right Prods.,*
24 *Inc.*, 603 F.3d 135, 144 (2d Cir. 2010). Particularly where the jury has sweeping
25 discretion to determine damages that may include a punitive element, it is critical that
26 its determination be based on “legal standards that provide reasonable constraints
27 within which discretion is exercised, that assure meaningful and adequate review by
28 the trial court whenever a jury has fixed the punitive damages, and permit appellate

review [that] makes certain that the punitive damages are reasonable in their amount and rational in light of their purpose to punish what has occurred and to deter its repetition.” *BMW of North America, Inc. v. Gore*, 517 U.S. 559, 578 (1996) (“*BMW*”) (Breyer, J., concurring) (emphasizing “the constitutional importance” of such standards) (internal quotation marks and citations omitted).

“Statutory damages are intended to serve as a deterrent ... but that does not justify ... a windfall.” *Microsoft Corp. v. Ricketts*, 2007 WL 1520965, at *4 (N.D. Cal. May 24, 2007); *Adobe Sys., Inc. v. Tilley*, C 09-1085 PJH, 2010 WL 309249, at *5-6 (N.D. Cal. Jan. 19, 2010) (concluding that an award of \$50,000 per infringement would be a “windfall” and recommending that the plaintiff instead be awarded less in statutory damages); *Cohorst v. BRE Properties, Inc.*, 2011 WL 7061923, at *14 (S.D. Cal. Nov. 14, 2011) (“Statutory damages . . . can be unconstitutional in application under . . . [the] U.S. Constitution if they constitute ‘excessive fines’ or are imposed without due process of law.”).

A. Supreme Court Guidance On Punitive Damages

In *BMW*, the Supreme Court overturned a \$2 million punitive damages award where the plaintiff obtained a jury award of only \$4,000 in actual damages. 517 U.S. at 565. The Court held that the punitive damages violated the Due Process Clause of the Constitution because it was “grossly excessive” compared to the plaintiff’s actual damages. *Id.* at 574. The Court set forth three well-known criteria for determining whether a punitive damages award comports with due process: (1) the degree of reprehensibility of the defendants’ conduct; (2) the ratio between the harm to the plaintiff and the punitive award; and (3) the similarity or difference between the punitive award and comparable civil penalties authorized by law. *Id.* at 575-85. In considering the “reprehensibility” factor, the Court stated that courts and juries should consider: whether the harm caused was physical as opposed to economic; whether the tortious conduct evinced an “indifference to or reckless disregard for the health and safety of others”; whether the victim was financially vulnerable; whether the harm

1 “was part of a pattern rather than an isolated incident”; and whether the harm was the
2 result of intentional malice, trickery, or deceit, or mere accident. *Id.* at 575-80, 608.

3 With respect to the comparison of actual damages and punitive damages, the
4 Court did not provide a “mathematical formula,” but suggested that a ratio of “not
5 more than 10 to 1” between the punitive damages award and the harm likely to result
6 from the defendant’s conduct would be “close to the line ... of constitutional
7 impropriety.” *Id.* at 581 (internal quotation marks and citations omitted). The Court
8 further stated that a lower ratio would represent the maximum where the conduct was
9 less reprehensible or the compensatory damage award was more substantial. *Id.* at
10 582. In that case, the Court held that the 500:1 ratio between the \$2 million punitive
11 damage award measured against the \$4,000 actual damage award was “breathtaking”
12 and, ultimately, grossly excessive, taking into account the relatively low level of
13 BMW’s reprehensibility. *Id.* at 582, 585. As to the third factor, courts must consider
14 the civil penalties available for the same or similar conduct due to the notion that a
15 person must receive “fair notice not only of the conduct that will subject him to
16 punishment, but also of the severity of the penalty that a State may impose.” *Id.* at
17 574, 583-84.

18 In *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 412 (2003), the
19 Court reversed a punitive damages award of \$145 million as unconstitutionally
20 excessive compared to the \$1 million compensatory damages award. The Court held
21 that although State Farm’s conduct “merits no praise,” the reprehensibility of the
22 conduct was not high. *Id.* at 419-24. Moreover, as to the proportionality of the
23 punitive award to the plaintiff’s actual harm, the Court repeated its statement in *BMW*
24 that a four-to-one ratio “might be close to the line of constitutional impropriety,” and
25 further stated that “*few awards exceeding a single-digit ratio ... will satisfy due*
26 *process.*” *Id.* at 425 (emphasis added). In that case, the ratio of 145:1 was
27 presumptively “grossly excessive,” and the presumption was not rebutted. *Id.* at 426,
28 429.

B. Application Of Due Process Principles To Statutory Damages Under The Copyright Act

Courts have repeatedly recognized the relevance of due process limitations on punitive damages in the context of statutory damages for copyright infringement. *See, e.g., Bridgeport Music, Inc. v. Justin Combs Publ'g*, 507 F.3d 470, 486-90 (6th Cir. 2007) (striking high ratio punitive damage award in common law copyright case as inconsistent with *BMW*); *Parker v. Time Warner*, 331 F.3d 13, 22 (2d Cir. 2003) (recognizing that “statutory damages [can expand] so far beyond the actual damages suffered that the statutory damages come to resemble punitive damages” and that, under *State Farm* and *BMW*, “it may be that in a sufficiently serious case the due process clause might be invoked”); *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1017 (7th Cir. 1991), *overruled on other grounds by Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994) (noting that “concerns of due process” require district courts to explain their factual findings underlying their decision to award greater than minimum statutory damages in a copyright case); *Atl. Recording Corp. v. Brennan*, 534 F. Supp. 2d 278, 282 (D. Conn. 2008) (denying motion for default judgment in p2p case because defendant might have viable defense as to unconstitutionality of statutory damage award); *UMG Recordings, Inc. v. Lindor*, No. CV-05-1095 (DGT), 2006 WL 3335048, at *5 (E.D.N.Y. 2006) (granting motion for leave to amend answer to plead unconstitutionality of statutory damage award in peer-to-peer filesharing case, recognizing that “in a proper case, a court may extend its current due process jurisprudence prohibiting grossly excessive punitive jury awards to prohibit the award of statutory damages mandated under the Copyright Act if they are grossly in excess of the actual damages suffered”); *DirecTV v. Gonzalez*, No. Civ.A.SA-03-1170 SR, 2004 WL 1875046, at *4 (W.D.Tex. Aug. 23, 2004) (“[I]t may be that a statutory damages provision [under Texas’ copyright statute] that grossly exceeds any actual damages would violate due process” under *State Farm*); *see also* 6 Patry on Copyright § 22:193.50.

1 In *In re Napster, Inc.*, No. C MDL-00-1369 MHP, 2005 WL 1287611, at *10
 2 (N.D. Cal. June 1, 2005), a court in the Northern District of California recognized that,
 3 “[e]xtending the reasoning of *BMW* and its progeny, a number of courts have
 4 recognized that an award of statutory damages may violate due process if the amount
 5 of the award is ‘out of all reasonable proportion’ to the actual harm caused by a
 6 defendant’s conduct.” The court then stated that “these cases are doubtlessly correct
 7 to note that a punitive and grossly excessive statutory damages award violates the Due
 8 Process Clause.” *Id.* at *11.

9 Moreover, cases in other contexts have recognized that *BMW* and *State Farm*
 10 are applicable in considering the constitutionality of a statutory damages award. *See*,
 11 e.g., *Murray v. GMAC Mortgage Corp.*, 434 F.3d 948, 954 (7th Cir. 2006) (suggesting
 12 that statutory damages awarded under the Fair Credit Reporting Act would be subject
 13 to review under *State Farm*); *Parker v. Time Warner Entm't Co.*, 331 F.3d 13, 22 (2d
 14 Cir. 2003) (suggesting that the aggregation of statutory damages in a class action
 15 under the Cable Communications Policy Act of 1984 might raise due process
 16 concerns under *BMW* and *State Farm*); *Romano v. U-Haul Int'l*, 233 F.3d 655, 672-74
 17 (1st Cir. 2000) (applying *BMW* to a punitive damages award in a Title VII
 18 employment discrimination action even though the award was subject to a statutory
 19 cap); *Cohorst*, 2011 WL 7061923, at *14 (“Statutory damages . . . can be
 20 unconstitutional in application under . . . [the] U.S. Constitution if they constitute
 21 ‘excessive fines’ or are imposed without due process of law.”); *Centerline Equip.*
 22 *Corp. v. Banner Pers. Serv., Inc.*, 545 F. Supp. 2d 768, 778 n.6 (N.D. Ill. 2008)
 23 (suggesting that *State Farm* might provide grounds for remittitur of statutory damages
 24 awarded under the Telephone Consumer Protection Act).

25 Several commentators agree that the Supreme Court’s punitive damages
 26 jurisprudence applies to statutory damages awards under the Copyright Act,
 27 particularly in file-sharing cases where the potential for enormous statutory damages
 28 awards is highest. *See* Ranahan Ex. A (Pamela Samuelson & Tara Wheatland,

1 *Statutory Damages in Copyright Law: A Remedy in Need of Reform*, 51 Wm. & Mary
 2 L. Rev. 439, 491-97 (2009) (arguing that statutory damages awards for copyright
 3 infringement should be subject to analysis under the *BMW* guideposts)); Ranahan
 4 Decl. Ex. B (Blaine Evanson, *Due Process in Statutory Damages*, 3 Geo. J. L. & Pub.
 5 Pol'y 601, 628-37 (2005) (arguing that the due process case law applies to statutory
 6 damage awards and giving copyright statutory damage examples)); Ranahan Decl.
 7 Ex. C (J. Cam Barker, Note, *Grossly Excessive Penalties in the Battle Against Illegal*
 8 *File-Sharing: The Troubling Effects of Aggregating Minimum Statutory Damages for*
 9 *Copyright Infringement*, 83 Tex. L. Rev. 525, 536-56 (2004) (arguing that Supreme
 10 Court's punitive damages jurisprudence applies to aggregation of multiple statutory
 11 damages awards in file-sharing cases).)

12 Echoing this requirement of proportionality, courts within the Ninth Circuit
 13 have repeatedly held that statutory damages must bear some relation to actual
 14 damages, ***even in cases where the defendant's infringement was also found to be***
 15 ***willful***. *Muppets Studio, LLC v. Pacheco*, CV 12-7303 JGB FFMX, 2013 WL
 16 2456617, at *2 (C.D. Cal. June 6, 2013) (while the defendant knew she was copying
 17 Muppets characters, and therefore "demonstrating willfulness" the plaintiff "has not
 18 provided the Court with evidence that the requested amount is proper under the factors
 19 listed above" because "[t]here is no evidence of actual profits, or how the introduction
 20 of these items specifically affected Plaintiff's profit."); *Nexon Am. Inc. v. Kumar*,
 21 2:11-CV-06991-ODW, 2012 WL 1116328, at *5-6 (C.D. Cal. Apr. 3, 2012);
 22 *Autodesk, Inc. v. Flores*, 10-CV-01917-LHK, 2011 WL 337836, at *8 (N.D. Cal. Jan.
 23 31, 2011) (noting that a willfulness finding "does not end the inquiry, however, for the
 24 district court is given broad discretion to determine the amount of statutory
 25 damages"); *Symantec Corp. v. Logical Plus, Inc.*, C 06-7963 SI, 2010 WL 2330388, at
 26 *3 (N.D. Cal. June 4, 2010) (even where evidence of the defendant's willful
 27 infringement is considerable, the amount of damages sought by Symantec is "too
 28 high" given the plaintiff's "modest profits"); *Microsoft Corp. v. Ricketts*, C 06-06712

WHA, 2007 WL 1520965, at *4 (N.D. Cal. May 24, 2007) (even where willful, “the Court thinks it just to award statutory damages in the amount of \$1500 per copyright infringed and \$1000 per trademark infringed, for a total of \$12,500” because it was “twice the minimum under each statute to reflect the finding of willfulness” and the “damages, coupled with the permanent injunction granted against defendant, will adequately serve the purpose of deterrence”).

IV. THE JURY SHOULD CONSIDER THE FOLLOWING FACTORS TO INFORM THEIR WIDE DISCRETION OF AWARDING FAIR AND APPROPRIATE STATUTORY DAMAGES IN THIS CASE

1. Factor 1: Plaintiffs’ Revenues Regarding The Alleged Infringed Works Must Be Disclosed So That The Jury Can Consider The Financial Realities Of This Case

When assessing an award of the magnitude being requested here, the jury has a right to know the respective financial conditions of the parties in deciding what is just in this particular case. The Supreme Court and the Ninth Circuit have long recognized that evidence of a defendant’s net worth or financial condition is relevant to determination of punitive damages. *TXO Prod. Corp. v. Alliance Res. Corp.*, 509 U.S. 443, 462 n. 28 (1993) (noting that it is “well-settled” that a defendant’s net worth is a factor that is “typically considered in assessing punitive damages”); *Pac. Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 21-22 (1991) (approving the consideration of a defendant’s “financial position” in determining an appropriate punitive damages award); *White v. Ford Motor Co.*, 500 F.3d 963, 976-77 (9th Cir. 2007) (noting “the Supreme Court’s and this circuit’s longstanding recognition of the admissibility of net worth evidence”; citing cases); *Morgan v. Woessner*, 997 F.2d 1244, 1256-57 (9th Cir. 1993) (approving jury instruction directing jury to consider “the amount of punitive damages which will have a deterrent effect on the defendant in light of the defendant’s financial condition”).

The only way Defendants’ financial condition can be put into context is to compare it to the revenues Plaintiffs have earned from their works during the relevant time. Whether Plaintiffs lost profits as a result of Defendants’ conduct, and the extent

1 to which they have not lost profits that can be connected to Defendants' conduct, are
 2 relevant to the jury's consideration of a proper award. *Bryant v. Media Right Prods.,*
 3 *Inc.*, 603 F.3d 135, 144 (2d Cir. 2010) ("When determining the amount of statutory
 4 damages to award for copyright infringement, courts consider . . . the expenses saved,
 5 and profits earned, by the infringer" and "the revenue lost by the copyright holder")
 6 (citing *N.A.S. Impor. Corp. v. Chenson Enters., Inc.*, 968 F.2d 250, 252-53 (2d Cir.
 7 1992)). The Fourth Circuit is in accord. *Superior Form Builders, Inc. v. Dan Chase*
 8 *Taxidermy Supply Co., Inc.*, 74 F.3d 488, 496 (4th Cir. 1996) (listing "the actual
 9 damages suffered by the plaintiffs" as a factor the jury should consider in determining
 10 statutory damages in a case where the infringement was found willful).

11 The relevance of financial information to claims for copyright infringement has
 12 also been repeatedly recognized by courts, including those in the Central District. *See,*
 13 *e.g., UMG Recordings, Inc., et al. v. Veoh Networks, Inc.*, Case No. CV 07-5744
 14 ("Veoh"); *UMG Recordings, Inc., et al. v. MySpace, Inc. et al.*, Case No. 06-07361
 15 ("MySpace").² Even where plaintiffs ultimately decide to seek statutory damages
 16 instead of actual damages, "[a] court has wide discretion in determining the amount of
 17 statutory damages to be awarded, constrained only by the specified maxima and
 18 minima." *Peer Int'l Corp. v. Pausa Records, Inc.*, 909 F.2d 1332, 1336 (9th Cir.
 19 1990). Statutory damages still must "bear some relation to actual damages suffered."
 20 *Van Der Zee v. Greenidge*, 2006 WL 44020, at *2 (S.D.N.Y. 2006). Among the
 21 factors a court may consider are the "revenues lost by the Plaintiffs [and] the value of
 22 the copyright." *Id.* at *2; see 4 Nimmer on Copyright § 14.04 [B][1][a] (2005) ("the
 23 determination of statutory damages within the applicable limits may turn upon such
 24 factors as . . . the revenues lost by the plaintiffs as a result of the defendant's conduct
 25 and the infringers' state of mind – whether willful, knowing or innocent").

26 Plaintiffs are attempting to avoid ever having to provide discovery about the

27 ² In the court's March 17, 2008 Order Re MySpace, Inc.'s Fourth Motion to Compel,
 28 Magistrate Wistrich granted the defendant's motion to provide documents "reflecting
 the profitability of the allegedly infringed works." (3/17/08 Order, p.1).

1 value of and damages for particular works, because they have refused to identify them
 2 in time for Defendants to complete any meaningful investigations or conduct
 3 discovery. The jury could of course also come up with endless alternate conclusions,
 4 and could find the appropriate level of statutory damages differed, for instance,
 5 between (1) works that Defendants knew about *vs.* works that they did not; (2) works
 6 that are theater released film *vs.* a TV series or another type of work based on
 7 Plaintiffs' actual damages (or lack thereof); (3) the jury could increase the penalty for
 8 works that were shown to be more directly caused by the allegedly infringing conduct
 9 (e.g., if Defendants "assisted" a user to locate that work or if "box office" movies
 10 were at issue); *vs.* those that were not related to or specifically implicated by any of
 11 the allegedly inducing activities. In short, it is up to the jury. The Court should not
 12 restrain the jury from having the available information so that it can attempt to reach
 13 the most equitable result in the circumstances.

14 Plaintiffs rely on essentially two cases to claim that actual damages should not
 15 be relevant to the jury's consideration, one from the First Circuit and one from the
 16 Eighth Circuit. Neither of these cases, *Sony BMG Music Entm't v. Tenenbaum*, 719
 17 F.3d 67, 71-72 (1st Cir. 2013)³ or *Capitol Records, Inc. v. Thomas-Rasset*, 692 F.3d
 18 899, 907 (8th Cir. 2012)), support the proposition that evidence of actual damages is
 19 irrelevant to a fact-finder's consideration of the appropriate amount of actual damages.
 20 Rather, those decisions held that the jury's statutory damages award in each case did
 21 not violate constitutional due process. *See St. Louis, I.M. & S. Ry. Co. v. Williams*, 251
 22 U.S. 63, 66-67 (1919) (statutory damage award violates due process "where the
 23 penalty prescribed is so severe and oppressive as to be wholly disproportioned to the
 24 offense and obviously unreasonable"). The reasoning of these cases is unpersuasive.
 25 Both cases held that the "concern about fair notice does not apply to statutory

26
 27 ³ There is another case in the First Circuit that goes the other way, acknowledging that
 28 a jury "may consider factors" such as "the expenses saved," and "revenues lost" by
 the plaintiffs. *Curet-Velazquez v. ACEMLA de Puerto Rico, Inc.*, 656 F.3d 47, 58-59
 (1st Cir. 2011) (quoting district court opinion (quoting *N.A.S. Impor.*, 968 F.2d at
 252)).

1 damages, because those damages are identified and constrained by the authorizing
 2 statute.” *Thomas-Rasset*, 692 F.3d at 908; *see Tenenbaum*, 719 F.3d at 70. Yet, as
 3 *Thomas-Rasset* recognized, the range of damages from \$750 to \$150,000 per infringed
 4 work is (to put it mildly) “broad.” 692 F.3d at 908. How this broad and unpredictable
 5 range of damages can provide “fair notice” of potential liability is difficult to
 6 understand. For this reason, as described above, many courts and commentators have
 7 rejected this view and have held or suggested that *BMW* and *State Farm* should apply
 8 to statutory damages.⁴

9 **2. Factor 2: The Degree Of Willfulness And The Amount Of**
 10 **Damages That Justly Flow From The Willfulness Are Up To**
 11 **The Jury Based On The Level Of Defendants’ Egregiousness**

12 A finding of willfulness as a matter of law increases the maximum statutory
 13 damages to \$150,000 per work. 17 U.S.C. § 504(c). As a preliminary matter, under
 14 *Feltner*, whether the amount awarded should be increased is a question for the jury to
 15 answer.

16 Even assuming this Court enters an order finding willfulness as a matter of law,
 17 the only practical impact is that the ceiling for statutory damages is raised to
 18 \$150,000. This would not eliminate Defendants’ right to introduce evidence relating
 19 to the relative culpability of Defendants’ conduct, which is unquestionably a relevant
 20 factor to the award of statutory damages. The degree of willfulness must still be
 21 evaluated because it is relevant to selecting an appropriate amount of damages.
 22 Professor Nimmer has stated that “the determination of statutory damages within the
 23 applicable limits may turn upon such factors as . . . the revenues lost by the plaintiffs
 24 as a result of the defendant’s conduct and the infringers’ state of mind – whether
 25 willful, knowing or innocent.” 4 Nimmer on Copyright § 14.04 [B][1][a] (2005). As
 26 Plaintiffs also acknowledge, “the level of egregiousness of Defendants’ infringement”

27 ⁴ And neither the First Circuit nor the Eighth Circuit have nearly as many copyright
 28 decisions as the Second Circuit and the Ninth Circuit, where such courts have
 repeatedly found information regarding actual damages could be considered by the
 jury. A Westlaw search shows in the past five years the First Circuit had 354
 copyright cases and the Eighth Circuit had 505, while the Second Circuit had 1,549
 copyright cases and the Ninth Circuit had 4,541.

1 is “a primary consideration for the jury in determining the appropriate level of
2 statutory damages.” (Pl. Mot. in Limine (Dkt. 632) at 5.) Evidence rebutting the
3 alleged *egregiousness* of Defendants’ infringement will inform the jury in reaching of
4 an appropriate award of damages in this case, and their state of mind regarding the
5 infringements at issue.

6 Courts also routinely assess willfulness in the copyright context on a work-by-
7 work basis. Numerous courts have found a defendant’s infringements willful with
8 respect to only certain works at issue, but non-willful with respect to others. *See, e.g.,*
9 *Columbia Pictures Indus., Inc. v. Sandrow*, CIV. A. No. 87-3279, 1988 WL 28249, at
10 *4 (E.D. Pa. Mar. 23, 1988) (finding “defendants’ copyright infringement was not
11 wil[l]ful [for works infringed] prior to the receipt of [plaintiffs’] ‘cease and desist’
12 letter” but was willful for works infringed thereafter; awarding damages accordingly);
13 *Psihoyos v. John Wiley & Sons, Inc.*, 11 CIV. 1416, 2013 WL 1285153, at *1
14 (S.D.N.Y. Mar. 29, 2013) (in suit alleging copyright infringement as to four
15 photographs, jury found no infringement as to one photograph, non-willful
16 infringement as to a second photograph, and willful infringement as to the remaining
17 two photographs); *Video Views*, 925 F.2d at 1020-21 (where jury found that defendant
18 had willfully infringed plaintiff’s copyrights in two out of seven films involved in the
19 action, affirming district court’s grant of defendant’s motion for judgment
20 notwithstanding the verdict because jury’s verdict on issue of willfulness was
21 unsupported by the evidence).

22 Relatedly, Defendants should also be permitted to explain to the jury how
23 Defendants’ website functions within and relate to peer-to-peer file sharing through
24 the Internet. BitTorrent technology is a kind of “peer-to-peer” technology, enabling
25 one user to find and share material with others over the Internet, rather than providing
26 access to a centralized repository of files. *Fung II*, 710 F.3d at 1027. This technology
27 is employed by a variety of websites and providers. Users can employ this technology
28 to locate, access, share, and distribute a vast array of content originating from all over

the globe. This includes a wide range of material—including music, films, and other material in the public domain—as well as software, movies, games, music, and other entertainment programming, for which the copyright holders may or may not have authorized or licensed free distribution. BitTorrent technology breaks up the file into many smaller pieces or data packets, and permits users to download lots of different pieces from different peers at the same time. Once pieces of a file have been downloaded, the file is automatically assembled into its original form. The recipients of the materials then become sub-distributors, transferring materials to other recipients. To share copies of games, films, music, and the like using BitTorrent technology, a publisher first creates very small files called “torrents” or “dot-torrent” files, which have the file extension “.torrent.” Torrents are small, special-purpose data packets with metadata describing much larger content files and include instructions for software to initiate download of actual content files off-site. Torrents are not subject to copyright protection. Then, the publisher makes the torrent files available by uploading them to one or more websites that collect, organize, and index them. *See id.* at 1026-28.

Torrent files are indexed by a variety of search engines, including Google, Yahoo!, and Bing. General purpose search engines like these are participants in the “multi-actor marketplace” of BitTorrent, along with isoHunt and many others. Indeed, the vast majority (more than 95%) of torrent files searchable on isoHunt are also searchable on Google, Yahoo!, or Bing. *See Fung II*, 2010 WL 6762829, at *29 (Br. of Appellants.) After the torrents are created and made available, participating users trade pieces among themselves. The transient, changing group of participants is called a “swarm,” and it is not associated with any particular device, provider, service, or website. *Fung II*, 710 F.3d at 1027. The content of files that are published or exchanged is typically identified by the name of the files, but such content is not actually ascertainable except by joining the swarm. *Id.* at 1027-28. Swarm members can include users located domestically and abroad. The exchange of information

1 through the swarm is facilitated by “trackers,” which act like an index and manage
 2 traffic. *Id.* “[N]o content is stored on or passes through trackers.” *Id.* at 1028. The
 3 tracker’s primary purpose is to provide a list of peers that have files associated with a
 4 particular torrent file available for download. *Id.* Defendants’ websites—
 5 isoHunt.com (“isoHunt”), Torrentbox.com, and Podtropolis.com—are torrent sites.
 6 They collect and organize torrent files—which, again, are not copyright protected—
 7 and permit users to search their collections. Users search these sites by keyword or
 8 category (like games, movies, television shows, music, and so on). *Id.*

9 Understanding the nature of Defendants’ business and role in any actual
 10 infringement is not “shifting the responsibility” as Plaintiffs claim—it involves
 11 educating the jury on the actual role that Defendants played, so they can determine
 12 appropriate amount of statutory damages, and relates to what Plaintiffs’ “actual
 13 damages” are, if any. As noted in a case Plaintiffs rely on heavily, the “reality” is that
 14 Plaintiffs would have faced competition from other infringers, even if Defendants had
 15 not infringed, which would lower their lost profits attributable to Defendants’ conduct.
 16 *Arista Records LLC v. Lime Grp. LLC*, 785 F. Supp. 2d 423, 426 (S.D.N.Y. 2011).

17 Likewise, because there were (and are) so many other file-sharing and
 18 BitTorrent systems distributing the very same torrent files, Plaintiffs’ copyrighted
 19 works would likely have been infringed regardless of Defendants’ inducement.
 20 Defendants’ expert intends to offer testimony about this, as well as the economic
 21 impact of BitTorrent and other file sharing on content sales. This is relevant to the
 22 jury’s consideration of causation and, also, the egregiousness of Defendants’ conduct.
 23 As the *Limewire* court recognized, even if Defendants cannot use evidence of the
 24 existence of other file-sharing websites to rebut causation, “[s]uch evidence may be
 25 admissible to show (1) that a diminution in Plaintiffs’ profits over time is only
 26 partially attributable to Defendants (because others caused some of Plaintiffs’ actual
 27 losses), and (2) the extent to which a large award in this case is likely to deter other
 28 infringers.” *Limewire*, 785 F. Supp. 2d at 426. To the latter point, the *Limewire* court

1 held that Defendants could use this evidence to argue that a large damage award
2 would not deter other infringers of Plaintiffs' works—which is a relevant
3 consideration for statutory damages. *Id.*; see *Coach*, 2013 WL 950938, at *2.

4 **3. Factor 3: Defendants Should Be Allowed To Introduce**
5 **Evidence Related To Plaintiffs' Failure To Mitigate**

6 As Defendants argued in their opposition to Plaintiffs' motion for summary
7 judgment, Defendants' mitigation of damages defense is viable as a matter of law,
8 notwithstanding Plaintiffs' election of statutory remedies. (Dkt. 584.) "The
9 mitigation doctrine of avoidable consequences is a fundamental rule of damages
10 requiring the injured party to take advantage of reasonable opportunities to minimize
11 his damages and avoid or prevent loss." *Gener-Villar v. Adcom Group, Inc.*, 560 F.
12 Supp. 2d 112, 133-34 (D. Puerto Rico 2008) (considering defense of failure to
13 mitigate in copyright infringement case). "[A]n injured party with an otherwise valid
14 claim who fails to mitigate its damages may not recover those damages shown to have
15 resulted from its failure to use reasonable efforts to avoid or prevent the loss." *Hitek*
16 *Software LLC v. Timios, Inc.*, No. CV 12-709, 2012 WL 2366368, at *6 (C.D. Cal.
17 June 18, 2012) (holding, in a copyright case, that "the resolution of this question [of
18 failure to mitigate] goes to the amount of damages, if any, that plaintiff may recover")
19 (internal quotation marks omitted). Thus, "an injured party with an otherwise valid
20 cause of action who fails to mitigate his damages may not recover those damages
21 shown to have resulted from his failure to use reasonable efforts to avoid or prevent
22 the loss." *Gener-Villar*, 560 F. Supp. 2d at 134.

23 Additionally, Plaintiffs themselves have conceded in prior briefing that the
24 extent and number of direct infringements is centrally relevant to calculating the
25 amount of a statutory damages award, not as a "penalty" but as an indicator of the
26 harm to a plaintiff: "evidence relating to the volume of infringement for each separate
27 work infringed is directly probative of statutory damages issues (i.e., the harm to
28 Plaintiffs caused by the infringement)." (Dkt. 543 at 3:25-27.) Even if Defendants

1 were found to be ineligible for DMCA safe harbor during the liability phase, the
2 notice-and-takedown procedures that Defendants implement modeled after the DMCA
3 still supports Defendants' failure to mitigate defense. Defendants have implemented a
4 copyright policy modeled after the DMCA under which Plaintiffs could have provided
5 notice concerning alleged infringements of their works. (Decl. of Gary Fung in Opp.
6 to Pl. Mot. Summ. Jdgmt. on Aff. Defenses (Dkt. 584-3) at ¶¶ 2-6, 8.) Even if
7 Defendants were not held entitled to DMCA safe harbor, following such procedures
8 and processing such notices regarding specific works at issue would have resulted in
9 Defendants taking down or removing access to Plaintiffs' alleged titles, thereby
10 preventing further harm and mitigating Plaintiffs' damages with respect to titles that
11 were removed. A jury is entitled to consider whether that happened.

12 Defendants are not asking the Court to resurrect DMCA defenses that were
13 denied by this Court and affirmed on appeal based upon the summary judgment
14 record, which would have immunized Defendants from liability from *any* monetary
15 damages. Defendants are seeking to introduce relevant evidence to be considered
16 when determining *how much* monetary damages should be awarded in statutory
17 damages. Moreover, Defendants' argument is not that Plaintiffs were *obligated* to
18 give notice as a prerequisite to suit, but that, under the familiar doctrine of mitigation
19 of damages, Plaintiffs' damages should be reduced due to their failure to take
20 reasonable steps that would likely have lowered their damages, possibly down to zero
21 if the close to 4,000 works Plaintiffs recently identified were identified through
22 Defendants' usual notice and takedown process.

23 Plaintiffs' failure to mitigate damages defense remains viable notwithstanding
24 the Court's willfulness finding. In *Gener-Villar*, the court held after a bench trial that
25 the defendant had committed willful infringement, but nonetheless went on to analyze
26 defendant's mitigation of damages defense at length. 560 F. Supp. 2d at 133-35. That
27 court did not simply reject the defense based upon its willfulness finding, as Plaintiffs
28 suggest the Court should do here.

Defendants should be allowed to argue and present evidence of Plaintiffs' failures to mitigate, not only with respect to Plaintiffs' failure to provide adequate notice of copyright infringement, but all other failures, including failing to create a website containing a database of dot-torrents leading to known or likely infringing files that could have been used as filters, and would likely have prevented much of the infringement at issue in this case. (*See* Mot. at 12.) The jury should be allowed to consider evidence of Plaintiffs' failure to mitigate in considering a proper statutory damages award.

V. THE COURT SHOULD BIFURCATE THIS CASE

There are multiple reasons and ways that the Court should consider bifurcating trial on this case.

A. The Court Should Bifurcate The Case As To The 44 Works

First, the Court should limit trial to only those 44 works that were properly subject to the summary judgment decision. To this day, Plaintiffs' complaint alleges that Defendants infringed forty-four of their copyrighted works and identifies only those works. (Dkt. 13). It was not until July 1, 2013 that Plaintiffs first indicated their intention to seek statutory damages for *three to five thousand* copyrighted works. (Ranahan Decl. ¶ 5 and Ex. D (7/1/13 Trans.) at 18:11-18.) Plaintiffs delayed identifying the thousands of works until providing an initial list of 4,145 works on September 16, 2013, barely six weeks prior to the scheduled damages trial. Dkt. 604 ("Plaintiffs' List"). Plaintiffs have yet to amend or seek leave to amend their operative complaint to account for these works.

Under Rule 8, a complaint must state "claim[s] showing that the pleader is entitled to relief." Fed. R. Civ. P. 8(a)(2). This is to ensure that a defendant is afforded notice of the claims asserted so it can properly assess the case and adequately prepare a defense. *Starr v. Baca*, 652 F.3d 1202, 1212-16 (9th Cir. 2011). Plaintiffs' complaint—which identified only forty-four works—is plainly insufficient to give adequate notice to Defendants of their claims for infringement of nearly 4,000 works.

1 *Flynn v. Health Advocate, Inc.*, No. Civ. A. 03-3764, 2004 WL 51929, at *12 n.6
 2 (E.D. Pa. Jan 13, 2004) (dismissing copyright claim under Rule 12(b)(6) because
 3 allegations that plaintiff owned “a federal copyright in a collection of works” did not
 4 give notice of “what *specific* original work or works are the subject of Plaintiffs’
 5 copyright claim”); *Sharp v. Patterson*, No. 03 Civ. 8772, 2004 WL 2480426, at *14
 6 (S.D.N.Y. Nov. 3, 2004) (“[I]n light of . . . the principle enshrined in Rule 8—namely,
 7 to provide defendants fair notice of the claims against them—a plaintiff suing for
 8 copyright infringement may not rest on bare-bones allegations that infringement
 9 occurred. Rather, [plaintiff] must identify the ‘specific original work [that] is the
 10 subject of the claim.’”); *see* 6 Patry on Copyright § 19:6 n.3 (2010) (stating that, for
 11 example, “if plaintiffs know 669 sound recordings have been infringed, they owe a
 12 duty of fair notice to specify each one”); *see also La. Pac. Corp. v. James Hardie*
 13 *Bldg. Prods., Inc.*, 2012 WL 5520394, at *1 (N.D. Cal. Nov. 14, 2012) (holding that
 14 plaintiff was required to “identify every trademark which was allegedly infringed”;
 15 because it “is necessary to provide Defendant with adequate notice” because, where
 16 the complaint only identifies some of the allegedly infringed marks, this “leaves
 17 Defendant to guess at the others. This is insufficient.”).

18 Any works and infringements at issue should have been identified by Plaintiffs
 19 through their complaint to comply with due process. Separate works implicate
 20 specific affirmative defenses, which based on the bifurcation has caused Plaintiffs to
 21 seek to foreclose Defendants from asserting certain affirmative defenses, including
 22 fair use, implied license, unclean hands and failure to mitigate. Indeed, on September
 23 30, 2013, this Court explicitly stated that bifurcation may be appropriate here to deal
 24 precisely with affirmative defenses, including fair use, to which Plaintiffs’ counsel
 25 responded that Plaintiffs had gone through each work to confirm it was the work they
 26 claimed.

27 But Plaintiffs’ counsel’s response is simply not accurate. Defendants were just
 28 provided this data within the last two weeks, and have already located multiple

examples where the claimed infringement does not match the claimed work. (Def. Opp. to MSJ re Ownership, Infringement and Causation (Dkt. 671).) Moreover, Defendants cannot even compare and verify the files are what Plaintiffs claim them to be because Plaintiffs have refused to produce copies of the claimed works for comparison. The Court should bifurcate the case so that Defendants can properly investigate and assert their appropriate affirmative defenses.

B. The Court Should Bifurcate This Case With Respect To Those Works For Which Plaintiffs Have Provided Revenue Information

Second, the Court should limit trial to only those works for which Plaintiffs have or can produce sufficient discovery to proceed with a proper damages trial, because actual damages and the parties' financial condition are relevant. On October 7, 2013, counsel for the parties participated in a call with Magistrate Chooljian regarding the parties' respective *ex parte* applications. (Defendants' *Ex Parte* to Compel Discovery (Dkt. 640); Plaintiffs' *Ex Parte* for Protective Order (Dkt. 636).) During this call, in discussing whether actual damages was proper, Magistrate Chooljian specifically asked Plaintiffs' counsel whether Plaintiffs would stipulate to \$750 per work to avoid any burden. Plaintiffs declined. She then asked if Plaintiffs would stipulate that they did not suffer any actual damages, which Plaintiffs also declined. Magistrate Chooljian thus stated that Plaintiffs had "opened the door" to discovery about Plaintiffs' actual damages. (Ranahan Decl. ¶ 6.)

The Court's tentative order requiring Plaintiffs to provide certain financial information, however, will not be sufficient to provide the relative comparison of wealth that is a common factor of any statutory damages analysis.⁵ While Plaintiffs insist that this inquiry "turns a statutory damages case into an actual damages case," this fails to acknowledge the obvious distinction: in a case like this, where Plaintiffs admit they can provide no documents to demonstrate actual damages caused by Defendants, *Plaintiffs still get statutory damages*, which here would be nearly \$3

⁵ Defendants' experts, Christian Tregillis and Koleman Strumpf, are both awaiting this information to prepare their final reports.

1 million even with no actual damages whatsoever.

2 Plaintiffs are seeking enormous damages; sufficient to not only wipe
3 Defendants out, but wipe Defendants out over 100 times what they are worth,
4 crippling Defendants financially far beyond what is just here. At the same time,
5 Plaintiffs refuse to accept their corresponding burdens to produce discovery that must
6 be afforded to Defendants, who are faced with a threat of astronomical statutory
7 damages. Plaintiffs should be ordered to produce the revenue information for each of
8 the works for which they are claiming statutory damages to put this case in proper
9 context and provide the jury a factor that court after court has found informs the jury's
10 decision. To the extent that Plaintiffs have not or do not produce the discovery
11 sought before trial, the Court should bifurcate the case to have damages be determined
12 after Plaintiffs provide Defendants this plainly relevant discovery.

13 **VI. CONCLUSION**

14 Plaintiffs seek to stack the deck in their favor so that the jury is allowed only to
15 consider select negative facts associated with this Court's finding of inducement
16 liability, without taking into consideration the entire context of Defendants' service
17 and actions with respect to the claimed infringements. Because the jury is entitled to
18 consider the full range of factors relevant to a determination of statutory damages, the
19 Court should decline to adopt the restrictions and limitations into these factors
20 proposed by Plaintiffs, and should adopt Defendants' proposed jury instructions,
21 attached hereto as **Exhibit 1**. The Court should also bifurcate trial as to the 44 works
22 that have been named in Plaintiffs' Complaint, and/or limit trial to those works for
23 which Defendants have been provided revenue information in sufficient time for
24 Defendants to incorporate such discovery into trial, including into Defendants' expert
25 analysis.

26
27 Dated: October 10, 2013

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28 By: /s/ Erin R. Ranahan

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